



SB 452

165 Capitol Avenue  
Hartford, CT 06106-1658

**An Act Implementing the Initial Findings of the Disparity Program Concerning the  
Minority Business Set-Aside Program**

**Government Administration & Elections Committee  
March 17, 2014**

The Department of Administrative Services offers the following testimony regarding  
**Senate Bill 452.**

In 2012, the General Assembly gave the Connecticut Academy of Science and Engineering ("CASE") the responsibility of conducting a disparity study to analyze the statistical data concerning the state's existing set-aside program, established under Connecticut General Statutes §4a-60g, et seq., to determine whether its current form achieves the goal of facilitating the participation in state contracts of small contractors and minority business enterprises.

Although the disparity study is not yet completed, CASE issued recommendations about potential changes to the set-aside statutes, as part of its Phase 2 report. SB 452 is intended to implement some of those recommendations. DAS believes that any systemic changes to the set-aside program must be based on the results of a rigorous disparity study. We respectfully submit that these proposed changes are premature.

The primary purposes of SB 452 are to separate the Small Business Enterprise ("SBE") program from the Minority Business Enterprise ("MBE") program, and to create a separate program for Women's Business Enterprises ("WBEs"). In addition, the bill adopts new terminology whereby agencies have goals of reserving contracts for MBEs and WBEs, using good faith efforts, instead of setting aside such contracts. SB 452 seeks to achieve these purposes by redefining several key terms and making several significant administrative changes to the program.

Currently, in order to qualify as a MBE, the company must first meet the definition of a SBE, an independent company that maintains its principal place of business in Connecticut and has gross yearly revenues not exceeding \$15 million. Under SB 452, however, MBEs and WBEs would be able to be of any size and would not be limited to companies based in Connecticut. SB 452 also eliminates the requirement that MBEs and WBEs must be "independent," a statutorily defined term meaning that the "viability of the enterprise does not depend upon another person, as determined by an analysis of

personnel, facilities, equipment, other resources, and financial support including bonding."

This bill also changes the definition of SBE. Under SB 452, a SBE is an independent company that maintains its principal place of business in Connecticut that either (1) has gross yearly revenues not exceeding \$15 million or (2) is of any size but is owned by a veteran or an individual with a disability.

These changes significantly increase the pool of companies that may qualify for SBE, MBE or WBE certifications. In particular, by eliminating the requirements that MBEs and WBEs be small, Connecticut-based and independent, SB 452 opens the door to thousands of new MBEs competing for state contracts. Additionally, the creation of new categories of SBEs that are not restricted by size -- veteran-owned business (an entirely new classification for the State) and businesses owned by individuals with disabilities -- will also substantially increase the number of new SBEs.

These changes will substantially increase the administrative burdens on DAS. DAS anticipates that the new eligibility criteria will result in an exponential increase in applications to be processed. Moreover, because the criteria for qualifying as a SBE, a veteran-owned business, a business owned by an individual with a disability, a MBE and/or WBE vary so greatly, DAS will have to create completely separate applications processes for these different certifications. In order to accommodate the anticipated explosion in workload, DAS will need to hire several additional staff members.

We thank the Committee for permitting DAS to comment on Senate Bill 452. If there are any questions about this testimony, please feel free to contact Terrence Tulloch-Reid ([Terrence.Reid@ct.gov](mailto:Terrence.Reid@ct.gov)) or Andrea Keilty ([Andrea.Keilty@ct.gov](mailto:Andrea.Keilty@ct.gov)).